

VZCZCXRO9041

RR RUEHBC RUEHDE RUEHKUK RUEHMA RUEHPA

DE RUEHNK #0968/01 2150917

ZNR UUUUU ZZH

R 030917Z AUG 06

FM AMEMBASSY NOUAKCHOTT

TO RUEHC/SECSTATE WASHDC 5736

INFO RUEHEE/ARAB LEAGUE COLLECTIVE

RUEHZK/ECOWAS COLLECTIVE

RUEHRL/AMEMBASSY BERLIN 0311

RUEHBY/AMEMBASSY CANBERRA 0357

RUEHSA/AMEMBASSY PRETORIA 0510

RUEHPT/AMCONSUL PERTH 0321

RUEAIIA/CIA WASHDC

RUEKDIA/DIA WASHDC

RUEKJCS/SECDEF WASHDC

RHMFIS/CDR USEUCOM VAIHINGEN GE

RUEHNO/USMISSION USNATO 0265

UNCLAS SECTION 01 OF 02 NOUAKCHOTT 000968

SIPDIS

SIPDIS

STATE FOR AF/W, AF/EPS (S. BRUNDAGE, A. ADLER),
EB/CBA (D. WINSTEAD), OES/PCI (A. SALZBERG)
USDOC FOR 3131/CS/ANESA/OIO/RD/DHARRIS
4510/IEP/ANESA/OA/PMICHELINI
DAKAR FOR RSCO CGRIFFIN

E.O. 12958: N/A

TAGS: BEXP BTIO EFIS ETRD EINV PGOV MR

SUBJECT: GOVERNMENT APPROVES \$65 MILLION SUPPLEMENTAL BUDGET

NOUAKCHOTT 00000968 001.2 OF 002

Key Points

-- The Military Council for Justice and Democracy (MCJD) approved a \$65 million supplemental budget for CY2006 to account for significantly increased revenues from renegotiated oil and fishing contracts, and IMF debt relief.

-- \$35 million is earmarked for stabilizing troubled public utilities, while the remaining \$30 million will go to physical infrastructure improvements and job training.

-- The MCJD also decided to reduce custom taxes for essential consumer products, such as powdered milk, sugar, cooking oil and vegetables.

-- For the first time, the finance ministry released its financial report for public scrutiny.

Comments

-- The MCJD is likely to have some trouble in effectively spending these additional revenues in the 5 months remaining before the close of the calendar year.

-- The MCJD's plan, aimed at reducing the cost of consumer products and increasing employment opportunities, will draw additional praise for the MCJD, which already enjoys broad public support.

End Key Points and Comments.

¶1. In meetings on July 27 and 28, the Military Council for Justice and Democracy (MCJD) approved a supplemental budget for CY2006 to account for significantly increased revenues from renegotiated oil and fishing contracts, and IMF debt relief. In all, the MCJD increased the 2006 budget by 15.8

billion Ouguiyas (\$65 million). This sum represents a 7.6% increase over the existing CY2006 budget of 208.8 billion Ouguiyas.

How the new funds will be spent

¶2. Approximately 8.8 billion Ouguiyas (\$35 million) is earmarked for stabilizing troubled public utilities, such as the National Water Company (SNDE) and the Mauritanian Electricity company (SOMELEC). The new funds will pay down these utilities' existing debt and reduce the need for future government subsidies.

¶3. The remaining 7 billion Ouguiyas (\$30 million) will go to physical infrastructure and employment training, with the goal of improving Mauritanian living standards. The land management and rural development sectors will use 51% of the amount, while 22% will go towards employment training, and 16% for other projects which have not yet been specified.

¶4. Specific expenditures include 650 million Ouguiyas to an employment creation and development project to increase national employment, and 700 million Ouguiyas to purchase equipment and materials necessary for canalizing stagnant waters that form after heavy rains. Approximately 450 million Ouguiyas will be used by the national company in charge of well drilling (SNF) to increase the availability of drinking water throughout the country. Additional amounts will also be allocated for road improvements in the urban centers of Nouakchott and Nouadhibou, and the construction of health units in several cities in the East and center of the country.

¶5. In addition, the government decided to reduce custom
NOUAKCHOTT 00000968 002.2 OF 002

taxes for essential consumer products, such as powdered milk, sugar, cooking oil and vegetables; the differential resulting from these tax reductions will be compensated by part of new receipts earned.

¶6. Significantly, for the first time, the finance ministry has just released its financial report to the public. This transparency measure is the result of negotiations with the IMF. The report, for the first quarter of 2006, in French, can be found on the MOF website at www.tresor.mr.

KOUTSIS